

North Korea and the Contradiction of Inversion: Dictatorship, Markets, Social Reform

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Structured Abstract

Article Type: Research paper

Purpose— This article addresses the problem of dictatorship and reform in North Korea and where the country and regime are going in the course of post-Soviet marketization.

Design/methodology/approach— The method used is analytical, descriptive, and synthetic; it assimilates recent qualitative and quantitative scholarship (political science and sociology) in North Korean studies; it interprets current developments; and it predicts socioeconomic and sociopsychological outcomes in the social reform process.

Findings— The findings are that hierarchy, time, and pressures from below are unfavorable for the North Korean party-army regime, whose capacity has a tendency to decline. The decline, however, is prolonged by local factors (e.g., inability of people to mobilize) and global factors (e.g., regional-stability and investment needs), which allow the regime to adapt. Consequently, the party-army regime is unlikely to collapse in the foreseeable future; yet with the ceaseless assertion of objective pressures, the regime will continue to marketize and reform; the society will undergo major changes in its economic, social, and psychological composition; and an authoritarian state-capitalism will emerge.

Originality/value— The value of the study consists in its synthesis of recent scholarly knowledge about North Korea, in its systemization of analytical categories that

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represent empirical processes, and in its provisional predictions to guide decision-making.

Key Words: global capitalism, market reform, North Korea, social psychology, sociology

The motives for change stem from the fundamental contradictions in the North Korean system.—Jae-Jean Suh¹

Introduction

The problem of North Korea today is the problem of the contradiction of inversion, that is, the inverse relation of dictatorial regime capacity and social reform pressures that have been intensified under impoverished and marketizing socioeconomic conditions. Importantly, this contradiction is not an abstract, metaphysical, or speculative principle formulated in the realm of pure logic or pure theory. Instead, the contradiction is a concrete, empirical, and real social process, involving the actual momentum of millions of people in everyday life and the struggle of the Workers' Party of Korea (WPK) and Korean People's Army (KPA) elite to maintain its interests, privileges, and survival.

While the Soviet-Stalinist-constructed North Korean party-army state-regime had been able to more or less contain the contradiction in the epoch of world Stalinism, with financial aid, fraternal trade, and material assistance from its allies and benefactors in the Soviet Union, Eastern Bloc, and China, the 1989 to 1991 liquidation of the Stalinist states and onset of the post-Soviet and post-COMECON era exacerbated the problems for the regime. North Korea confronted a crisis of compounded proportions: collapse of the bureaucratically planned economy, collapse of faith in Marxism-Leninism, collapse of discipline in the WPK, and, most catastrophically, collapse of the food-ration system.

With the great famine of 1996 to 1999, an emergent market economy based on the spontaneous rise of petty trade and small proprietorship became the new social reality. Confronted with these conditions, the ruling group determined to secure its existence by distancing itself from Marxism-Leninism in 1992, emphasizing "military-first" (*sōngun*) populism in 1998, adopting "pragmatic socialism" (*shilli sahoejuūi*; markets plus planning) in 2002, and relinquishing "communism" in 2009. What the political-economic adaptations of the regime are indicative of is that the contradiction of inversion is moving North Korea into an alignment that is fundamentally in the interests of global capitalism.

Contradiction of Inversion

How is the contradiction of inversion constituted? North Korean studies scholars do not presently use the term, but its sense-content is axiomatic in empirical and

predictive analyses of the contemporary North Korean socioeconomic and sociopolitical situation. A notable example is Un-Chul Yang's 2012 article "Downfall of the North Korean State Economy" in *International Journal of Korean Studies*, which speaks of "pressure from the bottom of society" and the rise of markets as a "bottom-up process rather than a top-down process," resulting fundamentally from economic failure, financial bankruptcy, food shortages, and incapability of government to provide for the North Korean people.²

As economic poverty is protracted and as markets at the bottom grow, the North Korean state-regime experiences declining political authority and decreasing influence of power.³ Summarizing the social process and its materially conditioned trajectory, Yang says:

With constant economic difficulties, the reigning force of the dictatorial regime is, in fact, gradually loosening. The number of North Korean defectors is increasing, and corruption already seems to be out of control. In addition, the steady growth of private business will be an index to producing a new future.

The pressure from the bottom of society to provide reform measures continues to increase as the capacity of the North Korean regime decreases. With the slowly shifting paradigm of the North Korean people and elites, the foundation for a market economy should gain strength in the near future.⁴

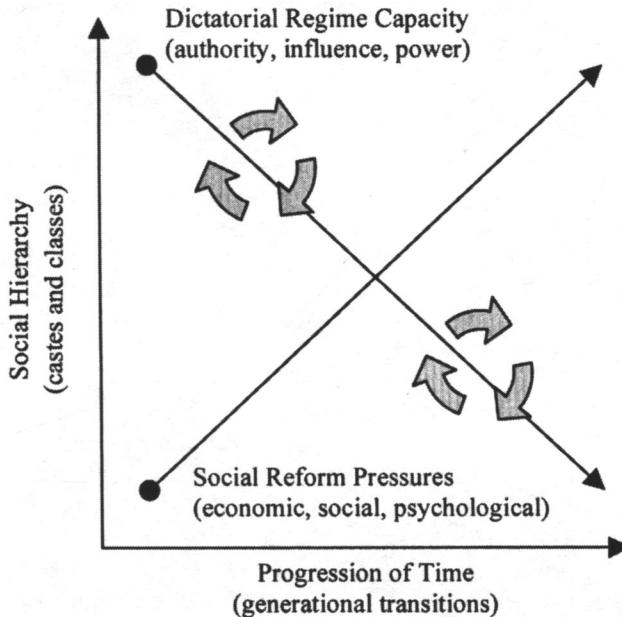
What this description and prediction reveal is that the contradiction of inversion has four main factors: (1) progression of time, (2) social hierarchy, (3) dictatorial regime capacity, and (4) social reform pressures. The latter two factors, existing in the objective contexts of history and society, manifest a decrease-increase relation as a direct consequence of economic difficulties and a vertical opposition between the people and the elite.

Since Yang does not explicitly expound on the content of the four factors individually, one must ask what they consist of. Basically, (1) *progression of time* consists of generational transitions; (2) *social hierarchy* consists of the official caste system and class system; (3) *dictatorial regime capacity* consists of authority, influence, and power; and (4) *social reform pressures* consist of economic, social, and psychological forces. Sociologically, what motivates the inverse contradiction are the distinctive and unequal domains of the people and the elite, who occupy different strata of society, who have different life experiences, and who have different dispositions, morals, and values (Fig. 1).

Admittedly, the contradiction of inversion in North Korea is a more complex, imperfect, and interactional process than any simple, perfect, and static figure can represent. Still, the North Korean situation historically demonstrates the tendency that the factors of time and hierarchy are unfavorable for the WPK-KPA regime: they create an accumulation of social pressures from the level of the people below; the objective pressures continuously assert themselves against the dictatorial elite on top; and since the dictatorship cannot maintain its regime capacity eternally, amid the flux of inexorable pressures, the ruling group must adapt tactically and react defensively or change radically and die politically.

While the regime has attempted to "increase and enhance the unidirectional

Fig. 1. Structure of the Contradiction of Inversion in North Korea



velocity of political power from the state to the people,” and particularly so in the 1970s,⁵ the social history of Soviet- and post-Soviet-era North Korea is testament to the fact that there are objective and subjective realities that cannot be controlled (e.g., natural disasters and global economic forces) or are extremely difficult to control (e.g., human desires and political corruption). Consequently, the elite are compelled to periodically accommodate the social reform pressures that assail them, not always collectively willingly, but always out of necessity. That said, how are the pressures materializing in present-day North Korea?

Economic Pressures

Since the rise of markets in the North Korean 1990s, several commentators have used the designations “capitalist revolution,” “grassroots capitalism,” “grassroots marketization,” and “quiet revolution,” giving a misleading mass political coloration to socioeconomic changes that have occurred over the past two decades as a result of a *spontaneous, unorganized, leaderless, nonideological, and apolitical movement* brought about by the systemic, financial, and distributive failure of national state-socialism.⁶ Properly, there is no “grassroots” or “revolutionary” situation in North Korea, and precisely because of that, the dictatorial regime has been able to preside over the economic social reform pressures.

In July 2002, the state officially recognized and legalized markets, accepting supply-and-demand mechanisms, market-based resource allocation, and marketization of prices to relieve the national budget from further burdens, demands, and

expenses.⁷ But this is not economic liberalism. Hyeong Jeong Park observes that the dictator and “mono-hierarchical party-state bureaucracy” have striven to “manipulate the economy and market expansion” to “maximally contribute to regime survival,” and there is “predatory intervention in the market and economy.”⁸ Park provides a foreign-trade example:

In North Korea, the supreme leader (e.g. Kim Jong Il/Kim Jong Un) takes exclusive possession of various rights to monopolies and distributes them to privileged party-state agencies depending on their contribution to regime survival. This type of economic structure is fully reflected in the North’s market structure. The supreme leader distributes various exclusive rights in foreign trade to regime agencies, which, in turn, dominate the hierarchical domestic chains of production and distribution of export and import goods in the economy. Invested with exclusive rights in foreign trade, the regime agencies are guaranteed with profits from the monopolies at the expense of producers of export goods and consumers of import goods. In return, they should submit part of the excessive profits to the supreme leader.⁹

North Korea combines this authoritarian-statist market structure with decentralization and autonomous management of nonstrategic sectors (e.g., light industry).¹⁰ Per the structure, policy, legal, and constitutional changes have been made with the objective that capitalist markets cannot exist independently from state authority and control.¹¹ But since automatic maintenance of the authoritarian-statist market structure is impossible, the regime has to “constantly reorganize the market through both coercive and administrative intervention.”¹² That is to say, the contradiction of inversion continues to endanger the dictatorship, even as it is pragmatically adapting to the economic pressures.

Here, there is also an economic opposition in the social hierarchy, namely, the resurgence of economic class conflict within the system of hereditary political castes in North Korea: core strata (*haegshim kyech’ung*), wavering strata (*tongyo kyech’ung*), and hostile strata (*chögdae kyech’ung*).¹³ Significantly, the social layers that entered spontaneous market activity in the 1990s were the non-elite wavering and hostile castes.¹⁴ Money has given some of these private individuals an extra-state influence that is intolerable to the regime. As seen in the disastrous price revaluation of 2009, to check the wealth of rich merchants, a socioeconomic struggle is occurring between the ruling caste and rising business class.

While merchants, managers, and financiers are evolving into capitalists in North Korea today, the WPK-KPA duopoly cannot allow this social group to displace its dictatorial regime capacity in the economic system. Confronted with economic pressure, the regime is thus bureaucratically self-reforming by transmuting the national-property-owning state into a chief executive officer, renter, tax collector, and foreign-labor dispatcher.¹⁵ North Korean sources call this “pragmatic socialism,” and some academic commentators term it “market socialism”; however, it seems more accurate to describe it as an incipient type of “state-capitalism,” whereby the hereditary authority can sustain its economic existence.¹⁶

Social Pressures

With time, the business class will eventually be concessionally incorporated into the North Korean state-regime, as economic pressures transform into social pressures. Such a concession is expected, for it will serve to divert negative effects for those on top in the contradiction of inversion. After all, within the social hierarchy, the ruling caste and business class are confronted by other classes/subclasses—trader-workers, wage workers, working-poor people, homeless people, and hungry people—who have not accumulated wealth, who do not own property, who are disentitled from the remnant ration system, who are exploited to generate state and private revenue, who are struggling to survive.

Contributing to the social conflict in North Korea are the chronic food shortages and the social roles of recipients/nonrecipients of state-rationed food supply in the social hierarchy. Some 2.5 million (party cadres, military, and Pyongyang core) have first priority; 4 million (defense industry workers) receive some benefits; and 14 million (ordinary workers and farmers) are excluded, the last group including a “new poverty class” of 5 million, which is unable to purchase food at markets.¹⁷ In a food-distribution demography where 12 percent is entitled, 20 percent is partially entitled, and 68 percent is denied, it is not surprising that there is reported resentment against the privileged layers.

Among the 68 percent, though, there are socially countervailing factors that offset a mass insurrectionary situation, for instance, the divergent positions of farmer-producers and worker-consumers. As a consequence of the 2002 market-price increase measures and profit-motivated competition, farmers are incentivized and earn higher incomes than workers.¹⁸ Workers suffer the fact that as market prices go up, their real income and purchasing power goes down.¹⁹ Despite the weakness of the worker, farmers make more money selling to them than to government, which buys at nonmarket prices.²⁰ Urban consumers, for example, depend on farmers’ markets for 50 percent of their food.²¹

Thus, while the contradiction of inversion has a tendency to intensify and sharpen over time, real social relations of competition, dependence, differentiation, and weakness *within* the non-elite layers fragment the social pressures, giving the North Korean regime room to adjust its tactics; manage things by appeal, intimidation, or force; and maintain dictatorial regime capacity.²² Broadly, the people are opposed to the elite; the poor are opposed to the rich; and the classes are opposed to the castes in North Korea. But the demographics of opposition are not socially coequal, politically unified, or consciously mobilized. Social movement around markets does, however, engender civil pressure.

Socially, the market as a “sphere of activity autonomous from the state” discomforts and threatens the party-army regime with the prospect of an “independent civil society around unregulated market relations.”²³ Historically, the basis of full civil society was bourgeois society, a society of ordinary citizens with materialistic values organized on the pursuit of private wealth and private property. Social reform pressures indicate that a capitalist civil society (not necessarily a democratically ruled

one) will be consolidated at some point in North Korea. Market, economic, and social pressures forebode the change. In addition, the change is foreboded in people's thoughts, that is, in social psychological pressures.

Psychological Pressures

Deep-going reorientations in attitude, awareness, and values have occurred in North Korea under the impact of markets and the emergent money-based economic system.²⁴ Decisively, the psychological "perception change" was initiated by the mass-spontaneous, famine-era activity of the excluded and disaffected wavering and hostile castes, whose deprivation of opportunities made them "easily shift their value priorities."²⁵ Since the food crisis of the 1990s, North Koreans have generally grown cynical and disappointed with socialism, which they equate with free distribution, and the "business mind" and "make money without the help of others," or "individual initiative," outlooks have arisen.²⁶

Psychology as an objective factor has, indeed, powerfully asserted itself in North Korea. Changes in mentality and the value system now permeate the entire social hierarchy, from ordinary citizens, to cadres, to high-ranking officials, to the children of minister-level officials, to the young generation.²⁷ As money and wealth have displaced party membership and family background as the guarantees of material satisfaction, money addiction, cheating, stealing, and robbery, in pursuit of the comfortable life, have been naturally generated.²⁸ The social psychology finds further expression in rampant bribery and corruption in the regime, in the police apparatus, at workplaces, and in education.²⁹

Of course, psychology and behavior have always been complications in North Korea, the late Kim Il Sung and late Kim Jong Il having perpetually complained about such things as abuse, boredom, extremism, flattery, indiscipline, individualism, jealousy, laziness, lying, passivity, permissiveness, and pretending in party-state life. What one witnesses today is thus an amplification of certain traits that were relatively contained in a previous period, but unleashed as a result of dislocations in the social-life environment. Kyo-Duk Lee, et al., say, "The changes in lifestyle cause changes in mentality, and the changes in mentality, again, change lifestyles."³⁰ They elaborate on the psychology as follows:

Since experiencing economic hardships during the 1990s, the [North Korean people's] *perceptions of their own egos* have become *individual-oriented*, and they have become *more autonomous and active in their thoughts and behavior*. As the social welfare system, including the rationing system, has not properly functioned, people began to make their own livings according to *their own judgments and plans*. Further, they became more active in earning money by engaging in economic activities, such as private business and through other means.³¹

The most significant change in the mentality of the North Korean people is the change in *value perceptions*. As the economic and the food shortages continue and as partial and limited liberalization expands, the value perceptions of the people have changed from essentially collective and society-oriented values, which prior-

itize political ideology, to those of *ego-centric and individual-oriented values*, which consider *money and material comforts* to be most important. For the people today, money is the most valuable thing.³²

North Korea, in other words, has seen a fundamental transformation in psychological ego development. Massive economic impacts on social consciousness have begotten a capitalist social mindset composed of (1) activism, (2) autonomism, (3) egocentrism, (4) individualism, (5) materialism, and (6) moneyism, with the old “state-dependent mentality” weakening and the new “ego-dependent mentality” gaining in strength.³³ Psychology and value perceptions are also changing with exposure to new information and outside information, through travel around the country for business and through consumption of South Korean broadcasts, TV dramas, programs, music, and news.³⁴

Even if access to South Korean capitalist culture may be illegal in North Korea, laypeople and regime officials consume it nevertheless, and their ideas and thoughts about capitalism are moving into indifferent and nonhostile directions. Social reform pressures *within* the minds of the people and elite have thus laid a mental infrastructure for the capitalist society in North Korea. Materialization of that psychology is captured in the people’s market activities and elite’s policy accommodations of market measures. Insofar as the masses of people are egocentrically absorbed and the elite can maintain a tactical equilibrium, dictatorial regime capacity will not be entirely undermined.

World Context

Needless to say, the economic, social, and psychological pressures that are exerted upon dictatorial regime capacity and which compel capitalist social reform in North Korea do not appear in isolation. Fundamentally, the pressures occur within a world context and are proxy to global capitalism, which North Korea cannot avoid in the post-Soviet era. Why North Korea cannot avoid capitalism is because (1) it is a weak state; (2) it is a poor state; and (3) it cannot subsist without foreign trade.³⁵ Of the past, Soo-Ho Lim notes, “Despite North Korea’s pursuit of a self-reliant national economy, it had *depended largely on the outside world*, including the Soviet Union, for the supply of key materials and energy.”³⁶

Unable to subsist without the international market, post-Soviet North Korea has had several major trading partners in the capitalist world: China, South Korea, Japan, Russia, Germany, Thailand, India, Brazil, Singapore, and Hong Kong.³⁷ North Korea also borrows on international capital markets, obtains foreign direct investment, and receives foreign aid from donor nations, major donors including, but not limited to, the United States, Sweden, Norway, and Australia.³⁸ Moreover, even though this is a militantly sovereign and defensive postcolonial state, the party-army regime has a foreign policy of “independence, peace, and friendship” with capitalist states (i.e., peaceful coexistence).

Underscoring the policy of peaceful coexistence is the role of capitalist Special

Economic Zones in North Korea — Hwanggumpyong-Wihwado, Kaesong, Kumgang, Rason, Sinuiju — which are arranged for “mutual exploitation” with foreign investors and governments.³⁹ Suffice it to say that North Korea is relatively integrated into the international profit system, and that integration obliges assimilation of the laws, norms, and operations of global capitalism. Suggestively, the regime set up the Center for the Study of the Capitalist System and the Pyongyang Business School in 2000, and North Korean professors have been sent overseas to study market economics since the 1990s.⁴⁰

North Korea needs global capitalism. Conversely, global capitalism needs North Korea. Besides the facts of affordable skilled labor, a largely untapped market, mineral richness, and strategic distribution location, there are other interests at stake. Jeong-Ah Cho explains:

A growing economic gap between the rich and the poor, with the rich getting richer and the poor getting poorer, is manifesting itself in North Korea, as a result of a weakening of the social safety net. Given this, suspension of humanitarian support of North Korea might bring about a *serious deterioration of the standards of living of the most vulnerable classes*. It could, in addition, work as a *force of social pressure, sparking a sudden turn of events*, as opposed to the more desirable course of gradual and long-term opening and reform.⁴¹

What this passage is saying is that if global capitalism does not provide foreign assistance, social misery and class struggle in North Korea will be exacerbated and find mass expression in a convulsive social revolution, which will have a regional spill-over effect with destabilizing consequences for the health of neighboring capitalist states and the world market. Aid in such a context does not mean support, but security.

Global capitalism therefore acts as a countervailing factor in the North Korean contradiction of inversion, to control the accumulating pressures, to prevent a social explosion from below, and to encourage top-down reform. China and U.S.-allied South Korea, for example, give aid to and invest heavily in North Korea to maintain stability. Similarly, the U.S. pursues an economic sanctions regime *with* humanitarian aid. U.S. sanctions, however, do not affect North Korea, since U.S.–North Korea trade is negligible and other markets are available. China, as of 2010, accounted for 83 percent of North Korean trade dependency.⁴² Unlike the U.S., China cannot afford the risk of economic sanctions.

Prospects and Possibilities

Social hierarchy and the progression of time are unfavorable to the political existence of the hereditary party-army regime in North Korea.⁴³ Confronted by powerful, post-Soviet, market-generated reform pressures (economic, social, psychological), the ruling group cannot escape the objective forces. But while the regime will eventually succumb to the decrease-increase relation of dictatorial regime capacity and social reform pressures, complex countervailing factors (demographic frag-

mentation, egocentric self-absorption, regional-security interests) work in its favor, allowing for moments of respite, defense, and adaptation.

As North Korea enters a new period, with the second father-son leadership succession of Kim Jong Un in December 2011, what can one expect in light of the countervailing factors and the world context? On Chinese, Japanese, and U.S. interests, Mun Suk Ahn writes:

China's foremost interest concerning North Korea is *stability*, because it has committed itself to rapid economic growth until at least 2025. In this regard, China is likely to take an active role in providing the Kim Jong-un regime with *diplomatic and economic support*. It has been reported that China decided to provide North Korea with 500,000 tons of food and 200,000 tons of oil in January 2012. U.S. Secretary of State Hillary Clinton stated that she and her Japanese counterpart shared a common interest in a *peaceful and stable transition* in North Korea. These elements are conducive to the *reinforcement of Kim Jong-un's legal-rational authority* [i.e., leadership right with belief that it is politically lawful], and against this backdrop he can be expected to strengthen his formal and legal grip on the military, the WPK, and the cabinet.⁴⁴

Combined with the fact that Kim has reshuffled the party and army with supporters, pacified or purged the older military opposition, and appealed to the people with promises of economic improvement,⁴⁵ objective reinforcement from the major powers will evidently allow the new ruling coalition to maintain its capacity for some time. Social reform pressures (external and internal) will continue to assert themselves all the while.

If so, what changes might the economic, social, and psychological pressures effect in North Korea over the next ten to twenty years, for example? It is not an arbitrary or an exclusively academic question. An ability to estimate or forecast socioeconomic and sociopolitical developments on the basis of present trends informs programs, initiatives, and decision-making in social and political life. Strictly speaking, it is impossible to make absolutely certain and foolproof predictions about North Korea. Still, the real, empirical process of the contradiction of inversion, compounded with the countervailing factors, allows for a number of provisional anticipations, and these should be indicated (Fig. 2).

Although they are tentative, the provisional anticipations are made on the basis of historical precedent (e.g., China and Vietnam), current domestic and international realities, and the fact that economics, sociology, and psychology are law-governed in their operations. Despite claims that North Koreans and the North Korean regime are "irrational" and "unpredictable," there is perceptible regularity of behavior and thought. Humans and human-made systems are not inscrutable, and North Korea is no exception. Major changes are occurring under marketization in the erstwhile national state-socialist regime and society. With people involved, there is a predictable unfolding in process.

That said, will the dictatorial WPK-KPA regime in the Kim Jong Un era be able to endure the contradiction of inversion? If not for contingencies, the answer seems to be "yes," given the special conditions within the country plus the international

Fig. 2. Social Reform Pressures and Provisionally Anticipated Changes in North Korea Over the Next Two Decades

SOCIAL REFORM PRESSURES	PROVISIONAL ANTICIPATIONS
Economic pressures	<ul style="list-style-type: none"> completion of reintegration into world capitalism; consolidation of national state-capitalism⁴⁶; expansion of autonomous profit-oriented management and production;
Social pressures	<ul style="list-style-type: none"> intensification of mutual exploitation with foreign investors; transformation of managers, merchants, and rich farmers into capitalists; polarization of classes, wealth, and poverty; erosion of cultural and information controls and rise of civil society;
Psychological pressures	<ul style="list-style-type: none"> institutionalization of authoritarianism over totalitarianism⁴⁷; liberation and estrangement of the individual ego⁴⁸; normalization of selfishness, self-interest, and self-motivation; disaffection of the struggling middle and working classes; intellection of struggle against authority and inequality

geosecurity strategy for regional peace and stability. While saber-rattlings, skirmishes, threats, and missile tests come with the political territory since North Korea is militantly self-defensive, that does not mean diplomacy and international relations cease to exist. On the contrary, it is evident that North Korea wants to engage with the outside world and that the outside world wants to engage with North Korea, now and for the next few years.

Conclusion

An economically fragile state, even during the Soviet and COMECON era, North Korea cannot circumvent the contradictions of its weakness, its foreign-aid dependence, or its Stalinist-modeled, national state-socialism, which has fundamentally deteriorated. With the spontaneous rise of market activity in the famine-stricken mid- to late 1990s, deep-going shifts and transformations have taken place in the impoverished country. Under the pressures of capitalist marketization and social reform, North Korea in the post-Soviet epoch is in a period of critical and momentous transition, gradually moving in the direction of a capitalist society, even if that may be a deformed, authoritarian capitalism.

Money economy, social inequality, and egocentricity have been set in motion, and the combined pressures are accumulating throughout the society, among all layers, presaging the decline of the authority, power, and influence of the WPK-KPA duopoly. Complex factors, however, offset sudden collapse. Above all, global capitalism, while making social reformism in the regime obligatory and inevitable, is in the position to gain from the continued existence of the established government, in terms of investments and security in Northeast Asia. Simply, the regional political

calculus is not interested in the end of the North Korean regime or in aggravating conditions that could stir up a social revolution.

Despite the nuclear standoff with the U.S., provocative relations with South Korea, anticolonial recriminations against Japan, and an anxious alliance with China, North Korea and these states have continually opted for negotiations over war. Of course, at the present world-historical juncture, with the afflictions of armed conflict, financial depression, and social upheavals, hostilities on the Korean Peninsula cannot be ruled out. But insofar as the global actors are able to bargain, they will find ways to contain the situation; North Korea will continue to reform and transform; and the party-army regime will embrace the opportunities that ensure its survival in the face of declining capacity.

Notes

1. Jae-Jean Suh, *North Korea's Market Economy Society from Below* (Seoul: Korea Institute for National Unification, 2005), p. 71, Korean Institute for National Unification, <http://www.kinu.or.kr/upload/neoboard/DATA05/05-04.pdf> (accessed January 2, 2013).
2. Un-Chul Yang, "Downfall of the North Korean State Economy: Losing Political Authority and Gaining Military Frailty," *International Journal of Korean Studies* Vol. 16, No. 1 (Spring 2012): 209–31, pp. 209, 214, 225, 227, International Council of Korean Studies, <http://www.icks.org/publication/pdf/2012-SPRING-SUMMER/10.pdf> (accessed January 2, 2013).
3. Ibid., pp. 209, 213.
4. Ibid., pp. 227–228; emphasis added. Suh, p. 31, says, "The changes at lower and more economically sensitive levels of society will in time influence the upper levels and bring about changes in the socio-political structure."
5. Darren C. Zook, "Reforming North Korea: Law, Politics, and the Market Economy," *Stanford Journal of International Law* Vol. 48, No. 1 (2012): 131–183, p. 137, Charles and Louise Travers Department of Political Science, University of California, Berkley, http://polisci.berkeley.edu/people/faculty/ZookD/Zook_NorthKorea_reform_SJIL.pdf (accessed January 2, 2013).
6. Suh, pp. 10, 73.
7. Soo Young Choi, *North Korea's Agricultural Reforms and Challenges in the Wake of the July 1 Measures* (Seoul: Korea Institute for National Unification, 2007), p. 51, Korean Institute for National Unification, <http://www.kinu.or.kr/upload/neoboard/DATA05/ss07-05.pdf> (accessed January 2, 2013); and Kyo-Duk Lee, Soon-Hee Lim, Jeong-Ah Cho, Gee-Dong Lee, and Young-Hoon Lee, *Changes in North Korea as Revealed in the Testimonies of Saetomins* (Seoul: Korea Institute for National Unification, 2008), pp. 34, 35, 75, Korean Institute for National Unification, <http://www.kinu.or.kr/upload/neoboard/DATA05/SS08-05.pdf> (accessed January 2, 2013).
8. Hyeong Jeong Park, "Will North Korea's '6.28 Directives' Be a Prelude Toward 'Reform and Opening,'" *Online Series CO 12–31*, September 11, 2012, pp. 3, 4, Korea Institute for National Unification, [http://www.kinu.or.kr/upload/neoboard/DATA01/co12-31\(E\).pdf](http://www.kinu.or.kr/upload/neoboard/DATA01/co12-31(E).pdf) (accessed January 2, 2013).
9. Ibid., p. 3.
10. Light industry and regional industries are nonstrategic sectors, whereas the defense industry is a strategic sector. Soo-Ho Lim, "Reform in North Korea's Military-First Economic Policy," *SERI Quarterly*, January 2010, Read Periodicals, <http://www.readperiodicals.com/201001/1949525641.html> (accessed January 2, 2013).
11. Ibid., p. 5; and Zook, p. 147.
12. Park, p. 3.
13. The political caste system has been in effect since 1957, the period of Soviet-installed leader Kim Il Sung's great purge of the WPK in 1956 to 1960. Suh, p. 19.
14. Suh, pp. 19–21, 59, 72, 73.
15. North Korea abolished tax collection in 1972 and reintroduced it three decades later in 2002. Zook, p. 152.

16. The term “state-capitalism” is used in the sense of an exchange economy at the service of state authority. This is not a reference to Tony Cliff’s theory of state capitalism.

17. Soo-Ho Lim, “Market’ Economy Rescues North Korea,” *SERI Quarterly*, January 2009, pp. 111–114, pp. 112–113, Dr. Robert Looney Homepage, http://www.relooney.fatcow.com/SI_FAO-Asia/N-Korea_23.pdf (accessed January 2, 2013).

18. Choi, pp. 24, 29.

19. Ibid., p. 34.

20. Ibid., p. 36.

21. Ibid.

22. Suh explains that “animosity and resistance” against the regime do not lead to “contingencies” because “economic hardship” puts “some restraints” on them; “contingencies” are prevented by “physical restraint and the spread of market elements.” Haggard and Noland note that there are “relatively low levels of collective action among traders” because of the “atomization of North Korean society.” Stephan Haggard and Marcus Noland, “Economic Crime and Punishment in North Korea,” *Working Paper Series*, March 2010, pp. 1–22, pp. 2, 4, Peterson Institute for International Economics, <http://www.petersoninstitute.org/publications/wp/wp10-2.pdf> (accessed January 2, 2013); and Jae-Jean Suh, *Economic Hardship and Regime Sustainability in North Korea* (Seoul: Korea Institute for National Reunification, 2008), p. 39, Korean Institute for National Unification, <http://www.kinu.or.kr/upload/neoboard/DATA05/ss08-06.pdf> (accessed January 2, 2013).

23. Haggard and Noland, pp. 2, 4.

24. Suh, *North Korea’s Market Economy Society from Below*, p. 42.

25. Ibid., pp. 59, 72.

26. Ibid., pp. 51–52; and Suh, *Economic Hardship and Regime Sustainability in North Korea*, pp. 11, 12, 14, 17, 34.

27. Suh, *Economic Hardship and Regime Sustainability in North Korea*, pp. 34; and Suh, *North Korea’s Market Economy Society from Below*, p. 43.

28. Suh, *Economic Hardship and Regime Sustainability in North Korea*, p. 45; and Suh, *North Korea’s Market Economy Society from Below*, pp. 34, 43, 45.

29. Jeong-Ah Cho, *The Changes of Everyday Life in North Korea in the Aftermath of Their Economic Difficulties* (Seoul: Korea Institute for National Unification, 2007), pp. 21–22, Korean Institute for National Unification, <http://www.kinu.or.kr/upload/neoboard/DATA05/ss07-06.pdf> (accessed January 2, 2013); Byung-Yeon Kim, “Markets, Bribery, and Regime Stability in North Korea,” *EAI Asia Security Initiative Working Paper*, No. 4, April 2010, http://www.eai.or.kr/data/bbs/eng_report/201004081122565.pdf (accessed January 2, 2013); Lee, et al., pp. 70–71; and Suh, *North Korea’s Market Economy Society from Below*, pp. 21–23, 72–73.

30. Lee, et al., p. 78.

31. Ibid., p. 42.

32. Ibid., p. 79.

33. Ibid., p. 52.

34. Cho, pp. 47–48n54; Lee, et al., p. 47; and Suh, *Economic Hardship and Regime Sustainability in North Korea*, p. 11.

35. North Korean national income in 2008 was comparable to that of Bangladesh, Sudan, Uzbekistan, and Zimbabwe. Gross domestic product for the same period was \$26.7 billion to \$28.5 billion. Dick K. Nanto and Emma Chanlett-Avery, “North Korea: Economic Leverage and Policy Analysis,” *CRS Report for Congress*, January 22, 2010, pp. 1–65, p. 23, Federation of American Scientists, <http://www.fas.org/sgp/crs/row/RL32493.pdf> (accessed January 2, 2013).

36. Soo-Ho Lim, *The Rise of Markets Within a Planned Economy: A Forecast for North Korea’s Economic Reform and System Change* (Seoul: Samsung Economic Research Institute, 2009), p. 109; emphasis added.

37. Nanto and Chanlett-Avery, p. 39. See also Sang T. Choe, Hyun Jeong Cho, and Sang Jang Kwon, “North Korea’s Foreign Trade: An Indicator of Political Dynamics,” *North Korean Review* Vol. 1, No. 2 (Spring 2006): 27–37.

38. Ibid., pp. 42, 44.

39. Zook, p. 177. See also “DPRK Law Encourages Investment in Economic Zone,” *People’s Daily Online*, March 18, 2012, <http://english.peopledaily.com.cn/90777/90851/7761551.html> (accessed January 2, 2013); Eul-Chul Lim, “Legal Reforms and Foreign Investment in the Inter-Korean Project: The Kaesong Industrial Complex,” *North Korean Review* Vol. 4, No. 1 (Spring

2008): 26–39; and Sung-Hoon Lim and Kang-Taeg Lim, “Special Economic Zones as Survival Economic Strategy of North Korea,” *North Korean Review* Vol. 2, No. 2 (Fall 2006): 47–61.

40. “NK Showing Increased Interest in Foreign Trade,” *Korea Times*, November 20, 2007, http://www.koreatimes.co.kr/www/news/nation/2008/04/120_14039.html (accessed January 2, 2013); and “6 N. Korean Professors Study Economics at Canadian University,” *Yonhap News Agency*, August 18, 2011, <http://english.yonhapnews.co.kr/national/2011/08/18/67/0302000000AEN20110818005900315F.HTML> (accessed January 2, 2013).

41. Cho, p. 81.

42. Yang, p. 229n7.

43. Confirming that the North Korean party-army regime is hereditary, new leader Kim Jong Un refers to “we, the descendants of the President [Kim Il Sung] and the soldiers and devoted followers of the General [Kim Jong Il]” in an April 6, 2012, speech to the Central Committee of the WPK. See Jong Un Kim, *Let Us Brilliantly Accomplish the Revolutionary Cause of Juche, Holding Kim Jong Il in High Esteem as the Eternal General Secretary of Our Party*, ([Pyongyang]: Foreign Languages Publishing House, [2012]), p. 1, Naenara [My Country], <http://www.naenara.com.kp/en/great/leader.php?3+12> (accessed January 2, 2013).

44. Mun Suk Ahn, “Kim Jong-il’s Death and His Son’s Strategy for Seizing Power in North Korea,” *Problems of Post-Communism* Vol. 59, No. 4 (July-August 2012): 35.

45. Ibid; and Hyeong Jung Park, “The First Year of Kim Jong Un’s Reign and the Consolidation of a New Ruling Coalition in 2012,” *Online Series CO 12–43*, December 28, 2012, Korea Institute for National Unification, [http://www.kinu.or.kr/upload/neoboard/DATA01/co12-43\(E\).pdf](http://www.kinu.or.kr/upload/neoboard/DATA01/co12-43(E).pdf) (accessed January 2, 2013); and Sang-Soo Lee, “Paradox of Neoliberalism: Arab Spring’s Implications on North Korea,” *North Korean Review* Vol. 8, No. 1 (Spring 2012): 53–66, pp. 59–60.

46. See distinctive but relevant discussion on the anticipated transition process in Lim, *The Rise of Markets within a Planned Economy*, pp. 269–282. See also Jae-Cheon Lim and InJoo Yoon, “Institutional Entrepreneurs in North Korea: Emerging Shadowy Private Enterprises Under Dire Economic Conditions,” *North Korean Review* Vol. 7, No. 2 (Fall 2011): 82–93.

47. See Lim, *The Rise of Markets Within a Planned Economy*, pp. 272–276; Andrew Scobell, “The Evolution of North Korea’s Political System and Pyongyang’s Potential for Conflict Management,” *North Korean Review* Vol. 4, No. 1 (Spring 2008): 91–108; Benjamin Katzeff Silberstein, “North Korea: Fading Totalitarianism in the ‘Hermit Kingdom,’” *North Korean Review* Vol. 6, No. 2 (Fall 2010): 40–54.

48. Suh notes that in contemporary North Korea there is the “spread of social and psychological estrangement.” *Economic Hardship and Regime Sustainability in North Korea*, p. 17.

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